

## Technical Market Action

So far, the market has acted in accordance with normal technical procedure. The recent reaction, which reached a low of 179.58 on July 19th, was almost a one-half correction of the February-May rally of from 164.07 to 194.49. The rails, at their recent low of 58.39, retraced 38% of the advance from the February low 47.48 to the July high of 65.23. Now both averages have rallied and at Monday's highs of 186.37 and 61.45, had retraced almost 50% of the recent decline.

The market has now reached an interesting short term stage. The industrials have not only regained about half of the recent decline but have about reached the lower part of the  $186\frac{1}{2}$  -  $194\frac{1}{2}$  upside resistance level. This brings us to the two alternatives outlined in our letter of July 21st. The first alternative would be resistance around these levels followed by a sag back into the approximately 183 - 181 level, some dull backing and filling and then another attempt to penetrate the  $186\frac{1}{2}$  -  $194\frac{1}{2}$  overhead resistance. The second alternative is an immediate further rally into the  $(186\frac{1}{2} - 194\frac{1}{2})$  with any subsequent dip holding above  $186\frac{1}{2}$ . This would be a very strong pattern. Which of the two alternatives is the more probable is not yet quite clear. In either event, consider the recent reaction a correction in a bull market with much higher prices in selected issues indicated over the longer term.

Believe the present market offers an excellent opportunity to switch out of issues with doubtful prospects into issues with more clearly defined technical patterns. With this thought in mind, I am making a few changes in my recommended list by adding some new issues and dropping a few stocks that have developed uncertain patterns. I am issuing the first section of the list below. I have divided it into two groups. The first group consists of medium grade or semi-investment stocks and the second group consists of speculative issues that entail a larger risk factor. New issues, that have not been mentioned before, are marked with an \*. I have only included issues in the first group that have an upside potential of 50% above present price levels over the longer term. In the second group, I have a requirement of 100% upside potential.

		<u>Medium Grade</u>			
		Last Sale	1948 Range	1946 High	
	Addressograph-Multigraph	41 $\frac{1}{8}$	41 $\frac{1}{8}$ - 28 $\frac{1}{2}$	41 $\frac{1}{8}$	
*	Allis Chalmers	35 $\frac{5}{8}$	42 $\frac{5}{8}$ - 33 $\frac{1}{2}$	62 $\frac{1}{4}$	
	Alpha Portland Cement	29	31 $\frac{5}{8}$ - 25 $\frac{1}{4}$	39 $\frac{5}{8}$	
*	American Car & Foundry	45	49 $\frac{5}{8}$ - 37 $\frac{1}{2}$	72 $\frac{1}{2}$	
	American Chain	23 $\frac{1}{2}$	27 - 18 $\frac{1}{2}$	40 $\frac{5}{8}$	
*	American Smelting	61 $\frac{1}{2}$	68 - 46 $\frac{1}{2}$	61 (a)	
	American Steel Foundries	30 $\frac{1}{2}$	35 $\frac{1}{2}$ - 25 $\frac{5}{8}$	50 $\frac{1}{8}$	
*	American Viscose	68 $\frac{1}{4}$	71 $\frac{3}{8}$ - 46 $\frac{1}{2}$	78	
*	Armco Steel	29 $\frac{1}{8}$	32 $\frac{3}{8}$ - 25 $\frac{5}{8}$	35 (a)	
*	Armstrong Cork	54 $\frac{1}{2}$	56 $\frac{1}{4}$ - 41 $\frac{1}{4}$	65	
*	Atlantic Coast Line	56 $\frac{1}{4}$	62 - 45	91	
*	Atlantic Refining	45 $\frac{1}{4}$	50 $\frac{1}{8}$ - 30	51 $\frac{1}{2}$	
*	Atlas Plywood	28 $\frac{3}{8}$	32 - 24 $\frac{5}{8}$	38 $\frac{3}{8}$	
	Bigelow-Sanford Carpet	33 $\frac{3}{4}$	37 $\frac{1}{4}$ - 31	41 $\frac{5}{8}$ (a)	
	Bliss (E.W.)	30	17 $\frac{3}{4}$ - 15	33 $\frac{1}{4}$	
	Borg Warner	61 $\frac{3}{8}$	66 $\frac{1}{4}$ - 42 $\frac{1}{2}$	61 $\frac{1}{2}$	
*	Briggs Stratton	31 $\frac{1}{2}$	34 $\frac{1}{4}$ - 25 $\frac{1}{8}$	42 $\frac{1}{2}$	
*	Burlington Mills	22 $\frac{3}{4}$	24 $\frac{1}{4}$ - 16 $\frac{1}{4}$	29 $\frac{5}{8}$ (a)	

(a) Adjusted

		<u>Speculative</u>			
		Last Sale	1948 Range	1946 High	
	Alleghany Corp.	3 $\frac{3}{8}$	4 $\frac{3}{8}$ - 2 $\frac{3}{4}$	8 $\frac{1}{4}$	
*	American Airlines	7 $\frac{1}{4}$	10 - 7 $\frac{1}{4}$	19 $\frac{5}{8}$	
*	Arkansas Natural Gas A	7	8 $\frac{1}{2}$ - 4 $\frac{1}{2}$	8 $\frac{1}{4}$	
	Baltimore & Ohio	15 $\frac{3}{8}$	16 $\frac{5}{8}$ - 10	30 $\frac{1}{4}$	
*	Baltimore & Ohio Pfd.	27 $\frac{5}{8}$	29 $\frac{1}{2}$ - 15 $\frac{5}{8}$	47 $\frac{1}{4}$	
	Bell & Howell	20 $\frac{1}{4}$	24 $\frac{1}{4}$ - 18 $\frac{1}{4}$	37 $\frac{7}{8}$	
	Bullard Co.	17 $\frac{1}{2}$	21 $\frac{1}{8}$ - 15 $\frac{1}{2}$	46 $\frac{7}{8}$	

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The opinions expressed in this letter are the personal interpretation of charts by Mr. Edmund W. Tabell and are not presented as the opinions of Shields & Company.